



ZHVILLIMI I NDËRRMARJEVE SHQIPTARE & SHËRBIMET E TREGJEVE TË EKSPORTEVE  
ALBANIAN ENTERPRISE DEVELOPMENT & EXPORT MARKET SERVICES



# **Albania Enterprise Development & Export Market Services**

**(EDEM)**

## **QUARTERLY REPORT**

For the period

**1 October 2004 through 31 December 2004**

Prepared by

**Development Alternatives, Inc.**

For

**UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**

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# **Albania Enterprise Development & Export Market Services**

## **EDEM**

This Quarterly Report covers the period from 1 October 2004 through 31 December 2004.

EDEM is expected to contribute to USAID/Albania's Economic Growth Strategic Objective, Growth of Self-Sustaining Private Enterprises (SO 1.3), and the following Intermediate Results:\*\*

- IR # 1 – Competitiveness Capacity of Assisted Enterprises Strengthened;
- IR # 2 – Access to Assisted Enterprises to Credit Increased; and
- IR # 3 – Competitive Business Environment Improved.

\*\* Please note, the SO and IR's were revised in the fall of 2004 and differ from the SO and IR's identified in the DAI/EDEM contract.

In addition, EDEM is expected to contribute to USAID/Albania's SO # 2.1 – Increased Involvement of Civil Society in Economic and Political Decision-Making – and its IR # 1 – Increased Citizen Participation in Public Discussion on Key Government Issues, as well as link with IR # 3.2 – Public Advocacy Against Corruption Strengthened.

### **A. ACTIVITY SUMMARY**

Activities during this reporting period focused in two major areas:

- following submission of the EDEM Updated Strategy to USAID, the project has concentrated its efforts on implementing the transition from reliance on a cluster approach to support development of Albania's business community to an approach with a more intense firm level assistance involvement.
- significant to the Updated Strategy, EDEM focused on building a database of those firms to whom EDEM will provide firm level assistance including: developing individual business profiles, assessing assistance needs and developing 'action plans' for the delivery of assistance.

#### **Highlights**

- Key findings of the Kosovo and Macedonia Processed Meat market research were provided to ten industry firms as well as to other industry partners at a workshop held on October 22<sup>nd</sup>. Several meat processing companies have taken actions that will enable them to enter the Kosovo market in 2005.

- EDEM initiated direct monthly coordination and technical assistance planning meetings with Land O'Lakes and ADAMA in October. In November and December, these meetings led to developing joint action plans to address the needs of individual client meat processing companies. Initial joint EDEM and LSC visits to the meat processing clients were conducted in December. Two EDEM meat processing clients were referred and have initiated discussions with LSC for their involvement in the Seal of Quality program.
- As a result of EDEM interventions, three meat processing companies have expanded their efforts and significantly increased their sales in local markets.
- In October, the findings from two global market research efforts on organic, value added and certified quality herbs and spice products were presented to representatives from 12 herbs/spices exporting companies. Application of the findings has lead to several excellent leads for sales opportunities to be pursued in 2005.
- In collaboration with SBICA, World Learning and GTZ, a study/market tour involving nine herb/spice companies was programmed to take place in Germany in February 2005.
- Based on support efforts provided by EDEM, herbs/spice companies earmarked over 12 million lek for the purchase of new equipment that will allow them to significantly upgrade the quality of their product enabling them to better satisfy international market demands.
- Subsequent to their Albanian tour, five international journalists produced articles which reached national level audiences in Italy, Germany and Bosnia-Herzegovina, as well as an English-speaking audience throughout Southeast Europe via the Southeast European Times, as , as well as over 150,000 travel trade professionals through the ETurbo News email newsletter.
- As part of the Specialty Tourism Cluster's "Greetings from Albania" postcard campaign 350 postcards were received from over 300 students from 10 communities around Albania. The campaign was supported by "Trendi" magazine, which interviewed the winners and featured the postcards in the magazine. The winners appeared on a national television program. Shqiperia.com created a special section on their website for all of the postcards: <http://www.shqiperia.com/edemal/gallery/album01> .
- As a result of their participation in the 2<sup>nd</sup> Travel Night, several exhibitors reported at least 10 new business contacts both from other exhibitors as well as from fair attendees, which have translated into numerous inquiries after Travel Night. Actual business resulted within a week for at least three exhibitors, including one from Shkodra, who booked \$1,000 in tours and used that money to invest in a new boat to expand his business.

- An internship program was launched at a press conference on World Tourism Day. During the past Quarter, at least six tourism cluster members offered internships to students from the University of Tirana.
- A first ever comprehensive database was prepared for the Leather Goods industry. Data collection took place during November and December. By the end of December, the sector database included comprehensive data on 43 companies (30 shoe producers and 13 leather processors).
- EDEM initiated a training program in business leadership for industry leaders and business service provider leaders. From the initial effort, seven individuals have received training of trainers coaching and are now capable of providing the management leadership training to businesses throughout the country. The first 'paid-for' training effort is scheduled to take place in February 2005.
- Responding to two separate needs identified by many businesses for information on how to deal with banks and how to effectively develop promotional campaigns, EDEM conducted two Banking & Communication workshops in Vlora and Korca attracting over 60 participants.
- EDEM and its subcontractor IDRA have restructured the project's approach to addressing business environment issues. The new approach reduces the number of on-site EDEM staff by two positions and will rely on IDRA to produce defined analyses of business environment issues as per the Year 2 work plan.
- The first issue of EDEM Newsletter reporting on the activities that EDEM is involved with was produced and published in December. Five hundred copies were delivered electronically and via hard copy to the Albanian business community, members of EDEM supported industries, donor projects in the field of development, BSP's, and the public.

### Collaboration

Central to EDEM's support of Albania's SME community is building off and leveraging the assistance efforts of other USAID funded projects, other donor organizations, NGO's, as well as the programs of government agencies. EDEM has continued to foster strong relationships with the donor community so that appropriate resources can be marshaled to address the business community's priority needs. During this past Quarter, EDEM continued to meet on a regular basis with key assistance providers such as the Small Business Credit and Assistance Project, World Learning, ACIT, Land O'Lakes, GTZ, and IFC-SEED. These discussions were held to investigate and implement opportunities for the various programs to work together, to update the others on latest EDEM developments, and to keep EDEM informed regarding the capability of the different programs to assist the industries/businesses that EDEM is assisting in addressing their issues and obstacles.

### EDEM's Contribution to USAID/Albania's Strategic Objective 1.3

The following table will be included in all future EDEM Quarterly, Semi-annual and Annual reports. The design is intended to give USAID and other report readers, a quick overview of EDEM's progress in supporting USAID/Albania's Strategic Objective 1.3. Beginning with Quarter 2 of Year 2, the table will be updated on a Quarterly basis.

(Values are in millions of leke.)

Indicator	Baseline 2003	Actual through 9/30/04	Quarter X Year 2	Target Year 2 (2005)	Target Year 3 (2006)	Life of Project
S.O. 1 Number of self-sustaining private enterprises benefiting directly from USAID assistance.	NA	37		25	25	87
S.O. 2 Number of private enterprises benefiting indirectly from USAID assistance.	NA	422		238	282	942
S.O. 3 Value (in Leke) of sales of Albanian products and services in domestic markets by USAID-assisted enterprises.	1,781.8	2,125.2		2,771.0	3,220.0	8,116.2
S.O. 4 Value (in Leke) of target Albanian products and services exported by USAID-assisted enterprises.	110.6	219.9		405.0	725.0	1,349.9
I.R. 1.1 Number of assisted enterprises with increased productivity and/or improved quality of products or services.	NA	18		17	17	52
I.R. 1.2 Number of assisted enterprises that implement a marketing strategy for their products and/or services.	NA	10		13	15	38
I.R. 2.1 Number of loans to assisted enterprises from commercial banks.	NA	4		12	8	24
I.R. 2.2 Number of loans to assisted enterprises from non-bank sources.	NA	12		8	9	29
I.R. 2.3 Value of loans to assisted enterprises from commercial banks.	NA	34.5		66.0	44.5	145.0
I.R. 2.4 Value of loans to assisted enterprises from non-bank sources.	NA	43.6		30.9	26.3	101.0

### **Employment Opportunities**

Indicator	Baseline 2003	Actual through 9/30/04	Quarter X Year 2	Target 2005	Target 2006	Life of Project
Number of Employees - assisted enterprises - F- female, M- male, T- total	F 635 M 422 T 1057	F 158 M 101 T 259		F 327 M 247 T 574	F 350 M 260 T 610	F 1470 M 1030 T 2500

## **B. BUSINESS ASSISTANCE ACTIVITIES**

### **Meat Processing**

During this Quarter, EDEM focused its activities in this sector on shifting its emphasis from industry-wide activities to working more intensely with firms at the individual company level. While EDEM continued to support the industry by providing generalized information and assistance, it began to increase efforts to strengthen the capabilities of individual firms with significant potential to expand their markets. Efforts concentrated on three main activity areas:

- providing market information and marketing assistance to the industry and to individual firms;
  - supporting efforts to increase export potential by adoption of food safety and quality standards; and
  - creation of a coordinated process with the Land O'Lakes' Livestock Service Centers project to deliver synergistic assistance to Albania's meat processing companies.
- 
- Kosovo and Macedonia Market Research

Key findings of the Kosovo and Macedonia Processed Meat Market research were shared with processed meat industry stakeholders at a cluster meeting held on October 22<sup>nd</sup>. Ten leading meat processing companies attended this meeting. Representatives of numerous stake holding organizations such as the industry associations ADAMA and AMPA, banks, government agencies, and donor projects such as Land o' Lakes, UNDP, IFC-SEED, UNDP-Trade Liberalization Project also participated.

EDEM presented thorough information on Kosovo and Macedonia wholesale and retail markets, distribution channels, prices and products, characteristics of major competitors, payment arrangements and consumer preferences. Presentations were illustrated with product samples and photos taken during the research. Information on the regulatory environment for exporting into Kosovo and Macedonia, such as customs practices and certifications needed, were also presented. Comprehensive information on the ways that companies can benefit from the Free Trade Agreements with Kosovo and Macedonia was presented. A representative from the Tirana Municipality Veterinary Inspection introduced the export certification procedures and services to exporters offered by the Albanian veterinarian services.

The EDEM report also noted the changing pattern of the retail market, which involves a much increasing role for large scale supermarkets as opposed to the current model of numerous mini-markets. This trend is very strong in the Kosovo and Macedonia markets, as well as elsewhere in the region. A copy of the market research report was shared with all industry stakeholders including those unable to attend the cluster meeting. In addition, key messages from the research and the meeting discussion were broadcast by Albanian business and news outlets, who attended the meeting.

Subsequent to the presentation, EDEM assisted three companies develop action plans that addressed: product quality improvements required for the companies to take advantage of identified market opportunities; the creation of promotion campaigns to allow the companies to enter the Kosovo and Macedonia markets in 2005; and the process for obtaining relevant food safety and regulatory certifications. EDEM will closely monitor the progress of the company action plans and continue to provide follow-up support as the companies proceed to develop outlets in these markets.

- Firm Level Assistance

As part of its shift to providing an increased amount of firm level assistance, EDEM developed detailed business profiles for individual meat processing companies that show the greatest potential to expand their operations and market capabilities. In coordination with Land O'Lakes, four companies (Tona-Korca, Meat Master-Shkodra, Bardhi-Tirana, and Pienvis-Kucova) were selected as priority companies to receive technical assistance based on their potential for domestic and export market development. These firms will receive the main attention from EDEM, although other firms will be supported on appropriate. Linked with the profiling process, a concrete action plan is being developed for each for each firm identifying needed assistance support activities.

Following the company's action plans and requests for technical assistance, EDEM provided direct individual assistance to Tona Co., Bardhi and Rozafa Kaci-Shkodra during the past Quarter.

Company	Technical Assistance Provided	Result
Tona CO.	<ul style="list-style-type: none"> <li>- improving marketing and distribution in the Tirana market;</li> <li>- supporting an open hiring process for a Tirana-based marketing manager;</li> <li>- customized market research and market linkage services for canned meat in Tirana;</li> </ul>	<ul style="list-style-type: none"> <li>- increased sales in the Tirana market by 10% in Q4 2004;</li> <li>- public ad for hiring marketing manager;</li> <li>- new production line for canned meat introduced - minimum of nine additional employees hired;</li> <li>- research of the Tirana canned meat market completed;</li> </ul>
Rozafa Kaci	<ul style="list-style-type: none"> <li>- produced all the promotion material and exhibition stand for the ADAMA Seal of Quality trade fair;</li> </ul>	<ul style="list-style-type: none"> <li>- sales increased by 5% as a direct result of the presentation at the fair;</li> </ul>
Bardhi	<ul style="list-style-type: none"> <li>- organized an aggressive marketing and promotional campaign as part of the Durres trade fair;</li> <li>- developed marketing strategy to attract new distributors and retailers;</li> </ul>	<ul style="list-style-type: none"> <li>- established alliances with three retail operations in Durres, assuring a continuing presence in the market;</li> </ul>



- Promoting Quality and Safety Standards

Critical to expansion of Albania's meat processing industry is its capability to adhere to international food quality and safety standards, significantly HACCP and ISO. During the Quarter, EDEM supported the organization of three seminars and training events devoted to increasing the awareness of the need for food quality and safety standards as well as the processes required to be followed to obtain the certifications.

- In November, EDEM assisted the Albanian business service provider Quality Institute and its Dutch partners ECAS BV and Q-Point BV in organizing a seminar on quality and food safety systems (HACCP and ISO). The seminar also touched upon the certification in the agro and food sector in Albania.
- In December, EDEM supported SBCA and GTZ in conducting conferences on launching Quality Management Concepts in Korca and Shkodra. Several processed meat cluster members participated and directly benefited from these conferences.
- In December, EDEM closely cooperated with the IFC funded SEED Program in organizing a workshop for the meat, fish and juice processing companies on quality certification according to International/European Standards - basic requirements for exporting to the EU and other international markets.

One Albanian meat processing company is already working on meeting the ISO and HACCP standardization and safety requirement and two other companies have shown interest in making the considerable investment necessary to get certified in 2005.

- Collaboration with Land O' Lakes

To leverage the results of the efforts of the Livestock Service Centers Project (LSC), EDEM initiated direct monthly coordination and TA planning meetings with Land O'Lakes and ADAMA staff in October. In November and December, these meetings led to developing joint action plans to address the needs of individual client meat processing companies - Meat Master, Tona Co., Bardhi, and Pienvi. Marketing Action Plans were developed by three meat processing companies and the development of quality standardization action plans is in process. The Marketing Action Plans contain activities linked to improvement in local distribution, developing promotional materials and programs, marketing staff training, and entering new domestic markets.

Initial joint EDEM and LSC visits to the meat processing clients were conducted in December. Further complementary positioning of the assistance offered by both projects to avoid duplication and increase efficiency is in place. Two EDEM meat processing clients were referred and have initiated discussions with LSC for their involvement in the Seal of Quality program. Monthly coordination meetings between EDEM and LSC staff are scheduled. Taking in account the specific core competencies of each project, EDEM will concentrate on the marketing and LSC will concentrate on production assistance needs.

## **Herbs and Spices**

The late fall and early winter months are a significant period for Albania's herb and spice industry as the season's harvesting is coming to a close and industry activities transition to processing and marketing - critical activities necessary for the industry to continue its efforts to regain its lost prominence. During the Quarter, EDEM held frequent meetings with industry members and relevant stake holders in Tirana and throughout Albania (including meetings in Tepelene, Malesi e Madhe, Polican, Skrapar, Rrogozhina, Shkodra, and Koplik) in support of the industry's efforts to address and resolve various operational and marketing issues faced by the industry and to allow the industry meet the challenges of today's market.

Key activities during the Quarter focused on:

- providing market information and marketing assistance to the industry and to individual firms; and
  - providing assistance to upgrade operational technology and practices; and
  - supporting efforts to increase export potential by adoption of international quality standards.
- 
- Global Market Research

In October, with support from an international STTA, Peter Furth, the findings and recommendations from two global market opportunities research efforts on organic, value added and certified quality herb and spice products were presented to the industry. Representatives from 12 herbs and spices exporting companies, as well as from the Albanian Export Promotion Agency, the Agency for Promotion of Foreign Investment, business service providers, donors and donor activities including USAID, SBCA, UNDP, and World Learning participated in the presentation. Extracts of the market research were made available to all meeting participants as well as industry members not able to attend the workshop.

Follow-up meetings were conducted with industry members interested in new product development, expanding their markets, and developing marketing strategies that would allow them to address opportunities identified by the research. EDEM assisted Gurra Shpk. - Tepelene, Xherdo Shpk. - Skrapar, Erba Shpk. - Koplik, and Tealb Shpk. - Tirana in preparing and initiating implementation of marketing action plans that will allow them to take advantage of the opportunities presented.

- General Support Provided to the H/S Industry

EDEM continued to provide marketing, production/processing and quality improvement information and assistance to both cluster companies and cluster stake holders. The goal of these activities is to strengthen the capability of the industry as a whole and increase information flow between/among various stake holders and their partners.

- Increased interest expressed by the companies for exploring the opportunities in the organic market was supported by providing the companies with contact information for international certifying companies.
- The need for adoption of new, more productive processing and packaging technologies was addressed by developing and delivering information on regional and international equipment producing companies (cleaning, grinding and packaging equipment).
- The Albanian Chamber of Commerce and Industry (ACCI) was mobilized to assist Albanian herb and spice businesses with information on interested foreign buyers.
- EDEM shared detailed information and coordinated efforts with The Albanian Export Promotion Agency and the EU-UNDP Trade Liberalization and Promotion Project. This new resource is expected to benefit at least two herbs and spices processing and exporting companies.
- EDEM and ALBIC/IDRA proposed developing web pages for several herb and spice businesses so they could avail themselves of this important marketing tool. Developing an Internet presence for the companies will take place in the next Quarter.
- EDEM supported the US Forestry Service assessment team during their effort to develop a comprehensive picture on the Albanian herb and spice industry challenges and issues that affect the environment. EDEM provided local staff and an international STTA, Maureen DeCoursey, to the USFS effort along with arranging company meetings and field visits.
- EDEM provided the Regional Development Agency of Berat with updated information on domestic herbs and spices to assist the local herbs gatherers associations expand their client base and sales.
- The USAID GIS team, with support from EDEM, produced a map depicting the harvesting potential of fifteen major herb and spice species for selected areas within Albania. The map will be distributed to all industry businesses and other interested parties.

EDEM worked closely with SBCA, World Learning, GTZ, and USAID in designing a study tour for Albanian herbs and spices industry members to Germany, a market with great potential for Albanian companies. No less than eight Albanian herbs and spices exporting companies will participate in a cost shared study tour to Germany in January 2005. The study tour, organized by World Learning with advice from EDEM, will coincide with the Green Week Trade Fair in Berlin. The tour will offer an opportunity for participating companies to both expand their knowledge on the marketing and operational side of their businesses, and will also serve as a venue for creating new trade links that will lead to increased sales. In preparation for the study

tour, EDEM has provided continuous support to the participating companies in developing their promotional materials and preparing them for presentations at one-on-one meetings.

- Firm Level Assistance

EDEM continued the development of individual company profiles for key businesses, to be targeted with direct technical assistance. EDEM Project will continue visiting other herb and spice companies, and prepare corresponding company profiles, and for those interested in receiving EDEM's assistance in the future, follow up work will be done.

A part of offering trainings, information presentation and seminars on the cluster level, over the quarter EDEM concentrated on offering individual technical assistance on company level.

Individual action and intervention plans were agreed with the client companies and their implementation started.

Company	Town	Technical Assistance Provided	Result
Gurra	Tepelene	<ul style="list-style-type: none"> <li>- conducted internet search and identification of leads for purchasing herbs cutting and cleaning equipment;</li> <li>- conducted individual training on ASTA standards;</li> <li>- assisted the client in delivering samples to potential US customer;</li> </ul>	<ul style="list-style-type: none"> <li>- client committed 6,720,000 Leke for purchasing processing equipment and implementing new cleaning technology</li> <li>- client successful fulfilled 2004 export contract;</li> <li>- Potential collaboration with new US customers;</li> </ul>
Xherdo	Skrapar	<ul style="list-style-type: none"> <li>- assistance in establishing a direct contact with a large essential multinational oil buyer with estimated purchasing potential of 400 metric tons of sage oil annually;</li> <li>- assistance in delivering Rosemary oil samples to a potential buyer in the US</li> </ul>	<ul style="list-style-type: none"> <li>- expected increase in exports of sage essential oil over the 2005 season;</li> <li>- samples sent to interested buyer for analysis;</li> </ul>
Erba	Koplik	<ul style="list-style-type: none"> <li>- conducted internet search and identification of leads for purchasing herbs cutting and cleaning equipment;</li> </ul>	<ul style="list-style-type: none"> <li>- client initiated process for purchasing sage cleaning equipment with a 4,000,000 Leke value;</li> </ul>
Tealb	Tirana	<ul style="list-style-type: none"> <li>- assisted in selecting appropriate sources for packaging technology and materials;</li> <li>- assisted in developing new</li> </ul>	<ul style="list-style-type: none"> <li>- client earmarked 1,600,000 Leke to purchase new grinding equipment to increase</li> </ul>

		product design satisfying regional market labeling requirements; - developed new promotional material and supported product diversification;	product quality and reduce floor losses; - negotiations with new packaging material supplier and new product packaging design started.
Hodaj	Rrogozhina	- assisted in new product development.	- several new products developed targeted towards the tourist market.
Dorena	Polican	- assisted in establishing direct purchasing of bay leaves for further processing – oil extraction. Contact established with National Park of Butrint.	- during the 2005 season a direct supply of bay leaves valued at 4 to 5,000,000 Leke is expected.
Rozafa	Shkodra	- provided start-up recommendations for entering sage and other h/s processing including recommendations for facility reconstruction and equipment purchasing;	- forward integration from second level gatherer to value added processor of sage in 2005;.

- Promoting Quality and Safety Standards Adoption

In November, EDEM supported the Albanian business service provider Quality Institute and it's Dutch partners ECAS BV and Q-Point BV in organizing a seminar on quality and food safety systems (HACCP and ISO). Three Albanian herbs and spices exporting companies took part in this seminar and were introduced to the basics of the presented quality and food safety systems.

## **Specialty Tourism**

### **Marketing and Promotion**

- Media:
  - 1) After the media tour that was organized the end of September, we followed-up with the five journalists from the tour to obtain copies of their articles about travel in Albania. All five journalists produced at least one article, which reached national level audiences in Italy, Germany and Bosnia-Herzegovina, as well as an English-speaking audience throughout Southeast Europe via the Southeast European Times, as well as over 150,000 travel trade professionals through the Eturbo News email newsletter. The local journalist who accompanied the group also broadcast a report for BBC.

- 2) Copies of some of the articles were distributed online to the Albanian tourism industry through the yahoo user group Turizmi Shqiptar.
- Greetings from Albania Campaign
    - 1) 350 postcards were received from 10 destinations around Albania. The “Greetings from Albania” postcard campaign was supported by ‘Trendi’ magazine and the winners appeared on a national television program. “Trendi” featured winning postcards in the magazine and conducted interviews with the winning students. Shqiperia.com created a special section on their website for all of the postcards:  
<http://www.shqiperia.com/edemal/gallery/album01>
    - 2) EDEM provided three winning postcard artists with digital cameras in a nationally televised ceremony and awarded four consolation prizes.
  - Brochure stand
    - 1) Upon arrival at Albania’s only international airport, there is no tourism information made available to visitors. To fill this gap, EDEM arranged for a brochure stand. A wooden stand was donated to EDEM by a furniture manufacturer and 25 tourism businesses provided brochures and leaflets about their businesses. A meeting with the new airport authorities, Tirana Airport Partners, was expected in the first quarter of 2005 to coordinate on the placement and management of the stand.
  - Participation in trade fairs
    - 1) During the Quarter, EDEM provided World Learning with a proposal to sponsor a group of tourism cluster members for a visit to the ITB Tourism Fair in Berlin, March 11-15. The proposal was accepted and the final selection process begun. The focus will be on generating new sales and marketing leads for the participants, as well as other tourism businesses in Albania.
    - 2) Although tourism consultant, Scott Wayne, was not on assignment for the project at the World Travel Market in London, he met with 15 tourism technology companies for the project. He then compiled a report summarizing some of the latest travel technologies, which was then distributed to cluster members and the yahoo user group.
  - Travel Night follow-up
    - 1) In September, a second Travel Night was held at the Rogner Hotel with 34 companies and organizations exhibiting, attracting over 200 visitors.
    - 2) In this past Quarter, several exhibitors reported at least 10 new business contacts both among themselves and the visitors. The contacts translated into numerous inquiries after Travel Night for many businesses. Actual business resulted within a week for at least

three exhibitors, including one from Shkodra, who booked \$1,000 in tours and used that money to invest in a new boat to expand his business.

- Product development workshop
- 1) Product development was offered before and after WTD by EDEM and the consultant on a firm level basis and in a half-day workshop. The workshop was attended by 13 participants, including five travel agencies and three hotels. The participants divided into two groups and developed four new itineraries targeted at youth and senior markets.
- The following additional related ongoing activities were pursued:
  - a creation of a database of existing and potential sites of tourism interest to support efforts to develop new products;
  - b identification of potential markets for specialty travel both in terms of geographic origin and/or special interest and matching Albanian tourism suppliers, with identified national and international markets; and
  - c expansion of the Turizmi Shqiptar website as a source of professional information for the tourism industry, creating a portal for Albanian tourism with links to other sites both domestic and international.
- Regional cooperation and joint efforts are being pursued
- 1) Establish cooperation with the Macedonian tourism cluster members in collaboration with USAID's Macedonia Competitiveness Activity. Cooperation will be focused on:
  - development of cross-border tours and events (e.g. tours covering both the Macedonian and Albanian parts of Lake Ohrid);
  - joint efforts regarding marketing the region's tourist attractions;
  - familiarization trips by tour operators and journalists; and
  - Expand regional cooperation to encompass USAID funded regional projects with a tourism focus (e.g. Montenegro, Bosnia & Herzegovina, Serbia, Romania).

### Education and Training

- 1) An internship program was launched at a press conference on World Tourism Day. During the past Quarter, at least six tourism cluster members offered internships to students from the University of Tirana. The list was circulated to both the University and other cluster members for additional possible offers. A parallel effort is being assisted in Shkodra through a local Peace Corps volunteer in cooperation with the University.
- 2) Leadership training was provided by TRG for four tourism professionals.

## Government and Policy

- 1) The EDEM team met with local government officials from at least 10 bashkia who were either interested in or responsible for local tourism development. These included: Tirana, Shkodra, Durrës, Krujë, Berat, Gjirokastra, Pogradec, Korça, Saranda and Vlora. In response, most of the bashkia participated in at least one tourism cluster workshop or event. In 2005, we plan to continue the town hall and media outreach, as well as additional product development and market linkage efforts in cooperation with both PCVs and bashkia officials.
- 2) At the end of the 3<sup>rd</sup> Quarter, Government and the Tourism Cluster Advisory Group conducted a Roundtable on WTD to launch the public-private sector process described in the National Tourism Strategy. A follow-up report was issued and distributed to cluster members.

## Leather Goods/Shoe Production

ACIT, with EDEM's assistance, organized the leather goods/shoe production industry in September. This past Quarter of supporting the industry has focused efforts mainly on identifying problems and potentials, as well as the types of assistance needed by the industry in order for it to regain and maintain its prominence in contributing to Albania's economy. In addition to providing industry wide support, future efforts also provide extensive firm level assistance.

In general, ACIT will operate at the cluster/industry wide level, while EDEM will take the lead on providing firm level support. While this split identifies the focal points of each organization's support, in practice, EDEM will support the ACIT cluster work and ACIT will assist EDEM in providing firm level support.

The major activities during the past Quarter include:

### 1. Assessment of the Leather Goods Industry Potential

During October, an EDEM supplied STTA, James Parchman, in close cooperation with ACIT and EDEM, developed an assessment of the leather goods industry by visiting companies and relevant institutions and by consulting previous ACIT industry related documents. Twenty-six companies (shoe producers and leather processors), were visited, where:

- the competitiveness concepts and the purpose of EDEM were introduced;
- basic data on companies was gathered;
- problems and areas of concerns were identified; and
- a first draft of the recommended work plan to be implemented by ACIT and EDEM was prepared.



For more detail of the industry assessment, please see the STTA report previously filed with USAID/Albania.

## 2. Assessment of Albania's Tannery

In early December, another EDEM supplied STTA, Augusto Zink, working with ACIT and EDEM developed an assessment of the tanneries and leather processing activities in Albania. In developing the assessment, the major tanneries currently operating in Albania were visited and the following discussions took place:

- modern clean technology and environmental concepts were introduced to companies;
- an assessment of pitfalls in environmental and production technology aspects was presented to companies;
- a linkage with current and future environmental legislation requirements was discussed; and
- consulting to individual firms that expressed interest in the above-mentioned concepts was provided by the STTA.

Upon completion of the STTA's assignment and following a review by of his findings by ACIT, EDEM and USAID, a decision to not support activity with the tanning industry was made after considering environmental, economic and other sector issues.

For more detail of the industry assessment, please see the STTA report previously filed with USAID/Albania.

## 3. Database Development

Significant to supporting the leather goods industry, is a thorough understanding of the companies that currently operate in the sector. A first step in developing this understanding was creation of a comprehensive database. Data collection took place during November and December. By the end of December, the sector database included comprehensive data on 43 companies (30 shoe producers and 13 leather processors). Information included in the data base shows that about 7,200 individuals are employed by 30 shoe producers; a total of 1.26 million shoe units (units include uppers and finished shoes) are produced each year, of which 2.6% are destined for the domestic market and 97.4% for the export market. (These percentages were used in conjunction with export values reported by customs to calculate production value in this sector for 2004 and will form baseline information for the ACIT PMP targets.)

The complete database is available for review at the ACIT offices.

## 4. Policy Issues Workshops

On November 19<sup>th</sup>, ACIT conducted a workshop to apprise companies of how best to work with Albanian customs and how to apply best practice procedures when working with customs offices. Six leather goods companies, a herbs & spices company and egg production company participated. The workshop presented and discussed the current legal framework on customs

procedures (customs valuation, warehousing, transit, appealing) and provided recommended best practices in improving the current procedures, as a follow up to the FIAS report.

Two workshops on New Free Trade Agreement between Albania and EU took place on November 25<sup>th</sup> in Tirana and on December 2<sup>nd</sup> in Vlora. Three shoe companies and 13 companies from in other sectors (including EDEM assisted industries) participated. Material presented and discussed at the workshop included:

- information on the free trade policy, history and benefits of exporting to the with EU;
- new developments as foreseen in the SAA, including information on industrial and agro-industrial products; and
- introduction of the challenges and opportunities that rise for Albanian businesses with in conducting business with EU companies under the FTA.

A significant impediment to developing of the leather goods industry is the lack of qualified design and production staff. A meeting between four leather goods firms and the Directorate of Professional Education in the Ministry of Labor took place on December 9<sup>th</sup>. The purpose of the meeting was to discuss ways to address the training needs and to look for ways to increase the supply of professionally trained staff. The meeting succeeded the companies and government representative agreeing to collaborate in providing training services for employees in this sector. The Directorate distributed a draft version of curricula to the companies and asked for their feedback in order to make sure the curricula addressed industry needs.

On December 9<sup>th</sup>, three leather processors participated in a session on clean technologies and environmental implications of the tanning industry conducted by the STTA tanning expert. Topics presented and discussed at the meeting included:

- making the companies aware on the importance of clean technologies and legal challenges relating to environmental concerns affecting their industry; and
- materials were distributed and explained on UNIDO on clean technologies practices.

Detailed reports on each workshop are available from the ACIT office.

## 5. Publication and Information Dissemination

Thirty seven leather goods companies received a complete file with information materials on ACIT and EDEM. The materials were sent out on December 22<sup>nd</sup>. The file contained: ACIT Customs Procedure Study; materials on Free Trade with EU for industrial products; draft program of curricula on professional education accompanied by a request for their feedback; EDEM newsletter; materials on clean technologies and environmental norms; and a questionnaire to identify business assistance needs.

## 6. Training

A leadership training held by EDEM from 11-14 October was attended by one of the leading leather goods company involved in shoe production.

Two shoe producing companies participated in a training on banking and communications held by EDEM in Korca on December 23.

## 7. Upcoming Activities

During the next Quarter, following up on the work done so far and based on the needs of the industry, the work plan for leather goods industry will include the following activities:

- promotion of the industry database through: publication of a brochure describing investment and production opportunities in Albania; ACIT website and other online portals; meetings/contacting with government stakeholders (ANE, ANIH, Ministry of Industry, and Trade Attaches in Albanian embassies.);
- creation of a shoe industry portal within the ACIT website and contacting shoe producers in the EU;
- continued development of the professional education effort with the Ministry of Labor;
- firm-level assistance with individual companies
- meeting with groups of companies on addressing marketing needs;
- seminar on non-tariff barriers;
- additional workshops on Free Trade with EU in three more cities;
- company participation in EDEM training activities; and
- additional efforts that arise during contacts with the businesses.

## **C. SME DEVELOPMENT**

(Principle EDEM SME activities not addressed elsewhere)

### 1. Leadership Training for selected BSPs

Responding to a need expressed by many businesses, EDEM initiated a training program in business leadership for industry leaders and business service provider leaders. Effective leadership is widely recognized as key to the success of businesses and their ability to become and remain competitive in the ever challenging market place. To supply this much needed knowledge and skill, EDEM developed a Leadership Training pilot model.

EDEM began the program with a four day demonstration in October of the LTM given to 12 representatives from local business service providers (BSPs), owners/managers from EDEM cluster member firms, and individual management consultants. From this group seven persons were invited to attend an intensive training course in December on how to deliver the LTM course to company management team members and to be qualified as members of a Leadership Training Team. This Training Team will be a resource to conduct on-going leadership seminars for Albanian business managers throughout the country. Two of the participants are already implementing the training module in their job and at training institutions.

In conjunction with the leadership training, a session on the value of properly applied ‘feedback’ was provided to EDEM staff in November. Topics covered during this session included giving effective performance feedback and how best to receive feedback.

## 2. BSP Company Profiles

EDEM started preparing company Profiles for the Business Service Providers that are cooperating with the project. To date four company profiles have been completed - CIVET, EPTA, RDA, and Quality & Standards Association. During the next Quarter the process will continue and be expanded to include BSPs from throughout the country.

## 3. Banking and Communication Workshops

Responding to two separate needs identified by many businesses for information on how to deal with banks and how to effectively develop promotional campaigns, EDEM developed a Banking & Communication workshop model. Beginning in November, workshops have been held around the country with the first ones taking place in Vlora, and Korca. The aim of these workshops is to give an overview of SME lending institutions, services that they are offering, bank requirements for SME lending, including documentation, and to provide an introduction on communication issues, how to build a PR office, and the importance, advertising, media. In addition, the workshops are valuable tools to introduce the EDEM project in the regions of the country outside the immediate Tirana area.

In the first workshop covering the Vlora region, 17 individuals from the tourism industry, meat companies, banks and other institutions working in the region participated in the discussions. In this workshop a specialist from BKT was invited to discuss issues related with banking, documents needed from the bank, terms and conditions. In the Korca workshop, 45 participants from tourism, meat, leather and shoes industry, representatives from prefecture, municipality, RDA, chamber of commerce, banks, and micro credit institutions took part.

These workshops will be continued in other regions during the next Quarter.

## 4. SME assisting cluster members

EDEM assisted EPTA (Education and Promotion of Tourism in Albania) to get finance from Soros Project on providing training courses in tourism industry. The project amount is 7,000 USD, while the total budget is 13,000 USD.

## 5. Assistance to “Target of Opportunity” Companies

Based on the revised strategy of the project opening for the opportunity to assist companies outside of the four defined clusters, EDEM has started the process of identifying candidates for such assistance.

Targets of Opportunities are firms that provided with an appropriate level of assistance have the potential to significantly expand their operations, sales and employment within a short time

frame. These Targets of Opportunity are being identified with the help of the SBCA, RDAs and other organizations working with the SME community around the country.

Examples of “target of opportunity” companies, to which EDEM is considering providing assistance include:

- Poseidon, Lezha. This fish processing company is currently a major processor and exporter of anchovies, primarily to the Italian market. The company management has requested EDEM’s assistance to develop a total system for processing of sardines for sale in domestic and international markets. Prior to the fall of communism, fishing and processing of sardines was a major industry in Albania. Currently, there are no industrial production facilities for the processing of sardines, and the small quantities fished are only intended for sale to consumers in the fresh fish markets. The assistance will be focused on the reactivation of the fleet of sardine fishing boats, financing and acquisition of equipment both for the fishing boats and the Poseidon processing plant in Lezha, production and also marketing of the canned sardines in the domestic and international markets.
- “Vila” Kompleksi Bio Industrial, Maliq, Korce. The owner of this company, which is located in an economically distressed area with high unemployment, has privatized and converted a former state-owned animal husbandry complex to one of the largest facilities for the production of mushrooms in the Balkan region. All preparations have been made to start mushroom production. EDEM has been requested to provide assistance in developing and implementing the marketing strategy for entry to both domestic and international markets, building an organization structure and hiring the key management staff and to implement the process of adherence to EU rules and HACCP standards.

## **D. BUSINESS ENVIRONEMNT**

At the end of Year 1, EDEM reviewed its approach to addressing business environment issues affecting the business community and recommended to USAID a revised approach. Because the issues are so varied and required an array of knowledge and skill sets, EDEM adjusted its approach to rely on one of its subcontractors, IDRA rather than employing individual staff people. IDRA has a broad background in dealing with business environment issues and can call upon a wide spectrum of experts to tackle the diverse business environment issues. As a result of this shift in approach, the EDEM business environment program was designed based on deliverables rather than on staff, and two of EDEM staff positions have been vacated. This revised approach was initiated in November.

Activities during this past Quarter included:

### **1. Anti Corruption Activities**

*Business Ethics:* IDRA has prepared draft manuals for a Business Ethics Training course scheduled to start in February. The manual has been shaped to reflect the practical issues of the

Albanian business environment. IDRA used materials to prepare this manual drawing significantly from “Business Ethics”, a manual for managing a responsible business enterprise in emerging market economies, published by the US Department of Commerce, International Trade Administration. The training has two main components:

- Training of Trainers involving BSP, business associations, chambers of commerce, and individual consultants. The objective of the training is to prepare a pool of Business Ethics trainers who can offer training throughout the country. and
- Training for firms working with the EDEM project. IDRA will provide training for cluster members (three trainings) on business ethics issues. These sessions will be presented in conjunction with individuals who participated in the ToT training.

*Government Anti-Corruption Matrix:* IDRA has prepared a draft monitoring report to be presented to USAID for discussion in January. Although the EDEM work plan indicated the matrix monitoring would occur bi-monthly, since the Government Conference on Anti-Corruption Strategy was being held on December 9-10 it did not make sense to have a monitoring report before the conference where the government was supposed to report on the implementation of the Anti- Corruption Matrix. IDRA participated in the Government Conference as well as prepared a list of meetings with most relevant government agencies in charge of the implementation of the Matrix. Such institutions included Anti-Corruption Unit at the Prime Minister office, Ministry of Economy, as well as business representatives. The Monitoring report is focused on the anti-corruption measures that relate to the business environment. Based on the issues that were identified, IDRA is preparing a Policy Brief on the “Role of Businesses in Anti-Corruption Strategy” to be delivered to USAID.

## 2. Transparency Activities

*Tax Guide on the Government’s 2005 Fiscal package:* During this period IDRA has been closely following the process of approval and passing of the New Fiscal Package for 2005. IDRA participated in several forums organized in this regard by different institutions (Ministry of Finance, American Chamber of Commerce, etc). IDRA published a draft version of the fiscal package in [www.albic.net](http://www.albic.net) to increase the opportunity for the business community and others to review the government proposals. The fiscal package was passed by the Parliament in the end of December. As soon as it passed IDRA received a copy and started to work on the tax guide updated with the new fiscal package<sup>1</sup>. When released in early 2005, the Guide will be instrumental in helping the business community understand and apply the Government’s fiscal regulations during the coming year.

*Public Procurement Guide:* To support efforts by Albanian businesses to more effectively bid on government tenders, work has begun on collection of the legal framework of the Public

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<sup>1</sup> It is important to note that the package is not ‘Official’ until after being published in the “Official Gazette” As of January 14<sup>th</sup> the package had not been published in this Gazette. There have been cases when what is published in the Gazette has had differences with the version approved by the Parliament. In the meetings IDRA had with Tax Department they were urged to wait until the changes are official to avoid possible mistakes.

Procurement such as laws, decisions and regulations. The guide will be prepared keeping in mind that it should be practical and understandable by the businesses.

*Export Guide:* Work on preparation of the Export Guide has begun with the collection of the legal framework on export procedures, as well as establishing contacts with institutions and collection of useful materials in this area. IDRA has made contact with the General Department of Standardization and has begun to analyze materials such as the “Albanian Catalogue of Standards”, “Quality Systems” as well as the brochure on the “Standardization as a Guarantee for the Quality and the Safety of Products.

## **E. COMMUNICATION**

Significant to increasing Albania’s competitiveness is making the public aware of progress in the form of successes and opportunities, as well as obstacles encountered. Supporting this objective, extensive media coverage was provided to EDEM related events during the Quarter. In addition, support was provided to individual firms interested in strengthening their public relations capability and promotional abilities.

- The results of market research conducted in Kosovo/Macedonian markets export possibilities were shared with the EDEM Meat Processing Cluster member companies and other interested organizations at a presentation delivered by EDEM. Media from seven different outlets participated in the session, providing extensive coverage and helping to make the public and business community aware of possibilities of selling products outside the borders of Albania. Media outlets participating included: - 3 TV Stations, Albanian Telegraphic Agency, “Monitori” magazine, “Biznesi” newspaper, and “Ekonomia” newspaper.
- Assistance was provided to two meat cluster members in building a stronger business image, and designing and printing promotional materials for the companies’ participation in trade fairs (business card, letter head, leaflet, poster, banner, e-mail address). In addition assistance was offered in arranging individual media coverage of the firms at the events. This form of assistance will be continued with all companies interested in producing promotional materials, media/advertisement planning, communication tools, etc.
- The results of “Quality Certified and Value Added Herbal Products” market research study and Market Research on Organic Spices and Herbs for export possibilities were shared with the EDEM Herb and Spices Cluster member companies and other interested organizations at a presentation delivered by EDEM. Media from seven different outlets participated in the session, providing extensive coverage and helping to make the public and business community aware of possibilities of selling products outside the borders of Albania. Media outlets participating included: - 2 TV Stations, Albanian Telegraphic Agency, “Monitori” magazine, “Spekter” magazine, “Biznesi” newspaper, and “Ekonomia” newspaper.

- The first issue of EDEM Newsletter reporting on the activities that EDEM is involved with was produced and published in December. Five hundred copies were delivered electronically and via hard copy to the Albanian business community, members of EDEM supported industries, donor projects in the field of development, BSP's, and the public.
- A communication training (combined with training in banking) was conducted in Vlora and Korça. This training is aimed at providing necessary information related to communication, its important role in developing a successful business, best ways to communicate, necessary promotional materials, and how to most effectively use IT mechanisms. Seventeen businesses participated in Vlora and 45 in Korça. In addition two regional media outlets participated in Vlora and six in Korça. As part of the workshop, TV Interviews were arranged with businesses to not only to give participants experience in working with TV but also as an opportunity to advertise their companies and products. The communication training will be continued in two other regions at the beginning of 2005.
- A "Greetings from Albania" post card campaign was implemented in support of Albania's tourism efforts. A competition was launched on World Tourism Day in September for the youth of Albania to create postcards depicting tourism possibilities in their home communities. The purpose for this initiative was to get young people (elementary and high school students) involved in presenting Albania to the world. A flyer was broadly distributed to schools, followed by announcements in "Trendy" magazine, and two weekly announcements on the National TV program "Troç" ("Open"). The competition was announced throughout Albania in close collaboration with Peace Corps, UNICEF, and Tirana Department of Education for elementary and high schools. Over 300 young people were involved in the competition, submitting over 350 postcards from 10 communities across the country. A jury of Tourism Cluster members reviewed the entries and awarded three first prizes and four consolation prizes. The prizes were publicly awarded at a ceremony, held in conjunction with the Tirana Department of Education's annual holiday program. Broad coverage was given to the event through the attendance of more than 300 students and teachers from Tirana schools, the Minister of Education and Science, and the Department of Education. Media from six different outlets covered the event, providing extensive coverage and helping to build enthusiasm among the nation's youth for future campaigns. Media outlets participating included: - 2 TV Stations, Albanian Telegraphic Agency, "Trendi" magazine, "Biznesi" newspaper, and "Ekonomia" newspaper. All the postcards and some accompanying messages will be presented on [www. Shqiperia.com](http://www.Shqiperia.com) website, as a digital postcard album of Albania. The postcards will be used in promoting Albania tourism through displays at international trade fairs and vehicles appropriate for promoting Albania as a tourism destination.
- Three articles were published in the widest circulated economic magazine in Albania, "Monitori". Interviews with EDEM staff published included: on general competitiveness issues; meat industry; and herb and spice industry.



## F. ADMINISTRATIVE

The major administrative issue addressed during the Quarter was completion and submission of the Year 2 draft Work plan to USAID. The work plan was reviewed by the Mission and comments provide to EDEM at the end of the Quarter. EDEM will respond to the comments and questions raised by USAID in the following Quarter.

### *Short Term Technical Assistance*

During the Quarter five STTAs traveled to Albania in support of the EDEM project: In addition, the project received continuing support from the Tourism STTA, Scott Wayne, from his home base in the US.

<i>Consultant</i>	<i>Assignment Period</i>	<i>Assignment Summary</i>
James Parchman	10/4-30	Enhance the domestic and international competitiveness of Albania's leather goods industry by creating a framework and process for initiating productive changes that support development of the industry
Maureen DeCoursey	10/16- 23	Support to the USFS, USAID and EDEM Project in assessing the training needs and developing training an environment impact mitigation plan related to the herbs and spices industry.
Peter Furth	11/15-24.	Presentation of international market research on organically certified, quality certified, and value added herbal products and individual TA to four herbs and spices processing companies in developing marketing action plans.
August Zink	11/29-12/12	Assess the current situation of Albanian tanneries and their potential for contributing to the growth of the leather goods shoe production industry in light of the current and future regulatory framework of the government as well as business perception
Dan Edwards	11/29-12/18	Train EDEM and ACIT staff in techniques for efficient firm-level consultation; deliver a training of trainers' management leadership program for staff, selected cluster leaders, and BSP representatives. Select and train a core group of six to eight potential trainers who will subsequently provide leadership training for business; conduct a workshop for EDEM staff and implementing partners focused on developing a common understanding of team needs, roles and orientation to EDEM's updated strategy

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